

Chairperson and Committee Members

ENVIRONMENT AND COMMUNITY DEVELOPMENT COMMITTEE

3 FEBRUARY 2011

Meeting Status: Public

Purpose of Report: For Decision

PARAPARAUMU AIRPORT CONTRIBUTIONS AGREEMENT

PURPOSE OF REPORT

- 1 The development of the Paraparaumu Airport has generated unique issues around Reserve Contributions and Development Contributions. This report discusses these issues and proposes to enter an Agreement with Paraparaumu Airport Limited regarding how their reserve and development contributions are managed.

SIGNIFICANCE OF DECISION

- 2 The Council's significance policy is not triggered by the recommendations within this report.

BACKGROUND

- 3 When a subdivision is created a developer becomes liable for two different types of contributions. These contributions off-set the cost of additional requirements for services the development generates on the community. These impacts are associated with the increased pressure on existing, or the need for new, infrastructure and open spaces. Contributions can also apply when a second or subsequent dwelling or commercial building is built on the same property.
- 4 The Local Government Act 2002 enables the taking of 'Development Contributions' for infrastructure and the Resource Management Act enables Council to take 'Financial Contributions' for open spaces.

Development Contributions

- 5 Council has a Development Contributions Policy that is part of the Long Term Council Community Plan (LTCCP) and reviewed during the LTCCP process. The key purpose of the Development Contributions Policy is to ensure that a fair proportion of the cost of infrastructure needed to serve growth is funded by those who cause the need for that infrastructure. The activities covered by the Development Contributions are Roothing, Cycleways/Walkways/ Bridleways (CWB), Water Supply, Wastewater Treatment, Community Infrastructure (e.g. swimming pools, libraries and halls), and Stormwater. The current Development Contributions Policy is in the 2009 Community Plan (LTCCP 2009, Part two, page 66). Development contributions are usually settled by payment.
- 6 At times infrastructure vested in Council has extra public good beyond the requirements created by the subdivision or new development. An example can be found in roading where Council may ask that a road be built wider than required

for the development so that it provides additional benefits to the District's roading network.

- 7 In cases where public good is provided beyond the requirement for a development, the Chief Executive or Sustainable Development Manager have delegated authority to consider and provide remissions of the Development Contribution where appropriate. This cannot be accrued as credits for subsequent developments but must be paid out on a case by case basis. If the remission exceeds the value of the Developer Contribution, Council may purchase the extra asset directly rather than carry over credits.

Financial Contributions

- 8 Council charges Financial Contributions under the Resource Management Act as set in Council's District Plan. The District Plan states, in section E1, that Financial Contributions are to ensure that recreation and open space provision keeps pace with the demands generated by the additional development. These contributions are often referred to as Reserve Contributions.
- 9 In some instances, developers provide reserves that are vested in Council. These may meet or exceed the reserve contributions required for the development in which case there is usually no cash settlement. If the development does not vest a reserve in Council, or if the reserve does not meet or exceed the contribution due, the developer would be charged for the difference.

Airport Development

- 10 The development within the airport precinct in Paraparaumu does not currently involve subdivision of the land but resource consents are required for each new commercial building. Financial and Development Contributions are calculated when the resource consents for new buildings are processed. As with all developments they have to be paid to Council before the Resource Consent is uplifted.
- 11 Paraparaumu Airport Ltd (PAL) intends to develop the airport to a high standard. They have stated that they intend to invest over \$400 million into the development. This development will result in contributions to Council for both Financial and Development contributions. The Mega Mitre 10 building alone resulted in Financial Contributions of \$85,711 and Development Contributions of \$211,752.

CONSIDERATIONS

Issues

- 12 The development of the Paraparaumu Airport is expected to take up to 20 years. This makes it different from most other developments with the district.
- 13 With such a long term timeframe there is a potential that in any one year the developer provides more public good value than they owe in Financial or Development Contributions. While any debts are managed through normal processes and carry over from one year to the next, there is a need for more capacity to manage credits.

- 14 PAL may wish to generate public value by bringing forward work listed in Council's LTCCP or Asset Management Plans ahead of when it is scheduled. The intent is that the public would have the benefit of the work earlier than when Council intended to build. PAL expect that in doing so they could earn credits and that Council would apply these to future Financial or Development Contributions as their site is developed.
- 15 Council would finally 'pay' for the agreed work but not until the year when it was scheduled to be built in the LTCCP or Asset Management Plan. That avoids the community paying for the work early, but allows the benefit by bringing the work forward to be realised.
- 16 An example may be if PAL builds an extra walkway in agreement with Council in 2011/12. If this work was scheduled in the CWB programme for 2014/15, then Council does not pay PAL for completing the work until 2014/15 and not in cash. Council pays by offsetting any Financial or Development Contributions that PAL incurs during 2014/15 year (generally this would be the result of a new buildings), with the credits PAL acquired when they completed the walkway earlier. Other examples are listed in the agreement to provide guidance for interpretation in later years.
- 17 The public works could be roading improvements beyond that required of PAL for their development, public toilets along the buffer zone or parks with public access in addition to the buffer zone. In considering these, Council would need to be assured that these are not required to be built by PAL as a condition of their private plan change or resource consent(s). During the plan change for the Paraparaumu Airport development, there were requirements raised that are now operative within the District Plan. When considering any public value generated by public works, these obligations by PAL will be considered by Council Officers. If PAL is under an obligation to provide that work then PAL can not claim any contribution credits. In the proposed agreement (Appendix A), there are statements around how the extra public good would be identified.
- 18 PAL would like this agreement with Council so that the value they generate is not lost at the end of each financial year but carried over as a credit. There would be no impact on rates through this agreement.
- 19 Within the proposed agreement Council must also agree to the work being undertaken in advance. For more expensive public works this should be consulted on during an LTCCP or Annual Plan process. Council has previously moved work forward where the impact to rate payers is negligible, but it is proposed in this agreement that it would still be through a Council resolution so that control is maintained by Council.
- 20 Within the proposed agreement, if Council does not agree to a proposal to bring work forward by PAL for any reason, it does not need to accept the offer by PAL. In such a case PAL may or may not undertake that work at their discretion, but PAL can not, and does not wish to demand that Council participates.
- 21 If Council agreed to a public works being carried out by PAL, the credit will only be provided after PAL has completed the work to an acceptable standard and access for the public to the asset is guaranteed. In some cases PAL would vest such infrastructure in Council, but in most cases they will provide easements or

agreements for perpetual right of access to that infrastructure.

Options

22 There are two options available to Council. One is to enter the agreement with PAL and the other is to do nothing, in which case PAL has to operate under the existing policy frameworks.

Option 1: Enter into the Contribution Credit arrangement with PAL

22.1 Advantages

- It encourages PAL to build works that provide non-commercial public benefit within the airport precinct.
- The Airport precinct may become more actively used by the public.
- The public get the use of public works earlier than they would if Council developed those works within the time specified in the LTCCP.
- PAL has more flexibility in planning the development over multiple years.
- There is a framework for both Council staff and PAL to work under when considering the value of public good generated by work within the Airport precinct, particularly in later years.
- Council has control over what public works it agrees to bring forward.

22.2 Disadvantages

- Council, if it agrees to a public works being built earlier than in the LTCCP, commits to that project and the costs that will fall in future years, regardless of any future changes to the LTP.

Option 2: Do not sign an agreement with PAL.

22.3 Advantages

- PAL is treated as any other developer within the district.
- Future councils will not have to consider the impact of credits that PAL holds for agreed infrastructure built early.

22.4 Disadvantages

- Does not allow the community, after consultation through the LTCCP or Annual Plan, to benefit from bringing forward works. While the current Development Contribution Policy allows for remissions, without the ability to gain credit for any balance that can go towards subsequent developments within the site, there is less incentive for PAL to participate.
- Does not provide a framework to allow Council and PAL to take advantage of a collaborative approach to improve planning.
- Does not provide PAL with flexibility or incentives during the development of the Airport precinct to add works that benefit the public outside of the work required to meet PAL's obligations under the District Plan.

Financial Considerations

- 23 Under the proposed agreement, Council would not be increasing rates if public works were brought forward. The impact on rates remains the same as the work is in effect paid for by PAL until the financial expenditure was budgeted for within the LTCCP.
- 24 PAL's credit would be treated as a liability within Council's financials, and stated in the annual report each year.

Legal Considerations

- 25 The document has been reviewed by the Council's lawyers. Their concerns raised several issues that staff believe have been addressed. Those that Council should be aware of are discussed below.
- 26 The legal review stated that this agreement could lead to a precedent being set and potential consequences from other large and small developers. This had already been considered by staff. Small developers can already apply through the existing policy for remissions for improvements that exceed their requirements and are being provided purely for the benefit of the public, not the development. Improvements that add to the quality of a development to make it more marketable are not considered, and this is consistent with this proposed agreement.
- 27 The Airport development is different from other large developments within the District. Financial and Development contributions for other large developments will usually be incurred during the initial subdivision process at the start of the development. These developments generally don't result in outstanding credits as the value of the works often do not exceed the value of the Development Contributions or Financial Contribution payable. If the value exceeds the contribution requirements, then developers will seek upfront contributions from Council for the expected balance. This is done under the existing policy framework.
- 28 The legal review raised an issue regarding off-setting contributions from one source against another, however this issue would be adjusted through accounting journals to ensure the funds are allocated to the right accounts (i.e. Financial Contributions and Development Contributions) as credits are repaid through the application of Development or Financial Contributions.
- 29 The legal review was concerned that PAL would be able to seek agreement for enhancements that would otherwise be required under the Plan Change 73 or the District Plan, or that PAL would only provide the bare minimum if Council did not agree. Staff believe that these issues are adequately covered in the restrictions outlined in section 6.4.

Delegation

- 30 The Environment and Community Development Committee does not have the delegated authority to approve this agreement but can make a recommendation to Council.

Consultation

- 31 Council is not required to consult on this matter.

Policy Implications

- 32 This agreement could set a precedent for other developments that have very long timeframes within this District.

Publicity Considerations

- 33 If adopted the rationale behind the agreement will be stated in a press release.

RECOMMENDATIONS

- 34 That the Committee recommends to Council that
- (a) the Contributions agreement (dated 3 February 2011 as attached to report Corp-10-011) with Paraparaumu Airport Limited be approved; and
 - (b) that the Chief Executive be authorised to sign the agreement on behalf of Council.

Report prepared by:

Approved for submission by:

Jim Ebenhoh / Bernie Goedhart

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**Sustainable Development Manager /
Group Manager – Corporate Services**

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ATTACHMENTS:

Contributions Credit Agreement dated 3 February 2011